

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 NSC-05 H-02 CIAE-00 DODE-00
INR-10 NSAE-00 PA-02 ICA-20 SP-02 COME-00 EB-08
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R 092145Z AUG 78
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 8320
INFO AMCONSUL MONTREAL
AMCONSUL QUEBEC
AMCONSUL TORONTO

UNCLAS OTTAWA 03946

DEPT. PASS TREASURY, DOC

E.O. 11652:N/A
TAGS: EINV, CA
SUBJECT: INVESTMENT INCENTIVES: QUEBEC CONTACTS WITH FORD.

REF: OTTAWA 3919

1. SUMMARY. RODRIGUE TREMBLY, QUEBEC MINISTER OF INDUS-
TRY AND COMMERCE, WAS QUOTED IN MONTREAL "LE DEVOIR"
AUGUST 8 SAYING QUEBEC WAS PREPARED TO OFFER FORD CDOLS
10 MILLION SUBSIDY TO LOCATE ALUMINUM PLANT IN QUEBEC
SIMILAR TO ONE BEING CONSIDERED BY GENERAL MONTORS. HE
ALSO SUGGESTED FEDERAL DEPARTMENT OF ECONOMIC EXPANSION
(DREE) WOULD PROVIDE A SUBSIDY TO FORD OF ABOUT CDOLS 30
MILLION. FORD HAS NOT APPLIED YET FOR DREE GRANT. DECIS-
IONS DO NOT SEEM IMMINENT. TREMBLY STRESSED QUEBEC IS STILL
MAKING AN ALL OUT EFFORT TO ATTRACT INVESTMENT BY GM FOR
ITS ALUMINUM ENGINE BLOC PLANT, DESPITE WHAT HE CALLED THE
PERFIDY OF ONTARIO FINANCIERS AND (FEDERAL) FRANCOPHONE
OFFICIALS IN OTTAWA. END SUMMARY.

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2. DREE ASSISTANT DEPUTY MINISTER MONTREUIL, WHO ATTENDED
PRESS CONFERENCE WITH TREMBLY, SAID PRELIMINARY CONTACTS
HAVE BEEN MADE WITH FORD ABOUT POSSIBLE INVESTMENT OF CDOLS
200 TO 250 MILLION BY FORD IN AN ALUMINUM PLANT IN QUEBEC
SIMILAR TO GM'S. HOWEVER, FORD, UNLIKE GM, HAD NOT YET
MADE AN APPLICATION TO DREE FOR THE GRANT. DREE HAS THUS
AS YET MADE NO OFFER TO FORD. MONTREUIL DID NOT SAY WHAT

DREE'S RESPONSE WOULD BE TO A FORD APPLICATION. NEVERTHE-
LESS, TREMBLY SAID QUEBEC WOULD SUBSIDIZE ABOUT 4 PERCENT
OF THE FORD PROJECT AT A COST OF ABOUT CDOLS 10 MILLION AND
DREE 12 PERCENT (AT A COST NEAR 30 MILLION).

3. TREMBLY SAID GM HAD UNTIL AUGUST 24 TO ACCEPT THE
SUBSIDY OFFERED, BUT THAT THIS
DEADLINE COULD BE EXTENDED AT GM'S REQUEST. HE NOTED
THAT WHILE QUEBEC IS IN A "BETTER POSITION" WITH GM THAN
FORD, GM SEEMED TO BE HAVING TECHNICAL PROBLEMS (CONCERN-
ING THE PLANNED ALUMINUM PLANT) WHICH IS HOLDING UP ITS
DECISION. HE ALSO NOTED THAT MANAGEMENT OF THE GM PLANT
WOULD BE EXEMPTED FROM FRENCH LANGUAGE REQUIREMENTS UNDER
QUEBEC LAW 101, AS IT WOULD BE A "KEY PLANT" MAKING PARTS
FOR EXPORT FROM QUEBEC.

4. IN SAYING THAT QUEBEC HAS LOST THE BATTLE BUT NOT THE
WAR IN ATTRACTING THE GM INVESTMENT (REFTEL) TREMBLY
LISTED THREE NEGATIVE FACTORS WORKING AGAINST QUEBEC:

A. FIRST, PRESSURE BY THE U.S. TREASURY AND U.S. PUBLIC
OPINION ON GENERAL MOTORS NOT TO LOCATE A FACTORY IN QUEBEC,
AS THE COMPANY HAS PLANNED TO DO FOR TWO YEARS. (SIC)

B. SECOND, THE CDOLS 40 MILLION FEDERAL SUBSIDY TO FORD,
WHICH UNDERCUTS THE DEPARTMENT OF REGIONAL ECONOMIC EXPAN-
SION (DREE) PROGRAM IN QUEBEC (BY IN EFFECT GIVING AN
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INVESTMENT INCENTIVE FOR INVESTING IN A NON-INCENTIVE AREA
OF ONTARIO). THIS, SAID TREMBLY, MAKES BOTH WASHINGTON
AND QUEBEC UNEASY.

C. THIRD, TREMBLY SAID QUEBEC IS NOT A PARTY TO THE U.S./
CANADIAN AUTO PACT. HE SAID QUEBEC MAY HAVE AN INTEREST
IN BEING A FULL, RIGHTFUL PARTY TO THE PACT AND PARTICI-
PATING FULLY IN IT, "JUST AS IN THE CASE OF FUTURE (U.S./
CANADIAN) AGREEMENTS ON ALUMINUM, PLASTICS, AND ELECTRI-
CITY." WITHOUT THE PARTICIPATION OF QUEBEC, HE SAID, THE
AUTO PACT WILL ONLY CONTINUE TO SHOW THE ECONOMIC SYMBIO-
SIS BETWEEN OTTAWA AND TORONTO.

5. ON THE POSITIVE SIDE, TREMBLY SAID THE U.S. COULD NOT
OBJECT TO SUBSIDIES OFFERED GM (ESTIMATED AT A TOTAL OF
CDOLS 86 MILLION FOR GOC AND QUEBEC), AS THOSE SUBSIDIES
ARE FOR REGIONAL ECONOMIC EXPANSION, UNLIKE THE GRANT
GIVEN FORD BY OTTAWA, AND REGIONAL SUBSIDIES ARE RECOGNIZED
BY GATT AGREEMENTS.

6. COMMENT. APART FROM TECHNICAL QUESTIONS ABOUT
ALUMINUM FOR ENGINE BLOCS, GM ITSELF HAS INDICATED TO

US A NUMBER OF REASONS FOR ITS RELUCTANCE TO INVEST IN
QUEBEC -- QUITE UNRELATED TO THOSE MENTIONED BY TREMBLY
(SEE PARA 4, OTTAWA 3052). ENDERS

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